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UNCLAS SECTION 01 OF 02 BOGOTA 001563

SIPDIS

E.O. 12958: N/A

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SUBJECT: COLOMBIAN UNEMPLOYMENT AT SEVEN-YEAR LOW

1. (U) SUMMARY: Reflecting the economy's 3.5 percent increase in 2003, Colombia's unemployment rate has fallen to 12.3 percent, a seven year low. Underemployment has increased slightly to 31.9 percent. Unemployment continues to be a top issue among the public. Some analysts, while praising the turn of events, see the new job creation as insufficient. Others also question the quality of the new jobs. The GOC understands these criticisms and is focusing efforts on export sectors that can generate more, and better-paying, jobs. END SUMMARY.

2. (U) According to the National Statistics Department (DANE), 1.2 million new jobs were created in Colombia in 2003, bringing unemployment to a seven-year low of 12.3 percent. The number of under-employed, however, rose 1.7 percent to 6.6 million, or one third of the labor force. Unemployment in urban areas, where three quarters of the population lives, registered 14.3 percent in December 2003 for the 13 largest cities, with a higher rate of 16.7 percent in Bogota. Urban underemployment dropped by 1 percent to 31.1 percent, and DANE set rural unemployment at 9 percent.

More Jobs, but More Underemployment

3. (U) The majority of the increases came in the construction and service sectors. According to a leading labor think tank, Externado University's Labor Market Observatory, higher paying manufacturing jobs decreased 2 percent in 2003, leading to a 4 percent drop in wages overall. The Observatory notes that the mining sector and utilities showed important productivity gains, but little new employment. The Labor Market Observatory's director, Dr. Stefano Farne, acknowledged that there were new jobs, but challenged the number of new jobs the government reported. Farne also saw the increase in underemployment as worrisome. He pointed to a recent study by the Observatory that 67 percent of jobs are "informal" in Colombia's thirteen largest cities, meaning, among other things, they are not registered with the social security system. (Note: This can be explained by the fact that 65 percent of new jobs were created by small and medium size enterprises, defined to have less than 25 employees. Officially, any company under ten employees is considered informal. Therefore "informal" sector jobs may not necessarily mean illegal or sub-standard employment. End Note.)

Unemployment Rates High Among Public Concerns

4. (U) In a poll of residents of the four largest cities published January 5 by leading weekly *Semana*, 40 percent of respondents rated unemployment as the most serious issue facing Colombia, trailed by corruption (29 percent), the security situation (24 percent) and narcotrafficking (5 percent). Sixty-one percent of the respondents said they were not working. Other polls indicate President Uribe continues to enjoy high overall job ratings of close to 80 percent. His approval rating specifically for dealing with unemployment, however, runs at just 35 to 40 percent.

Government Reforms Having a Positive Effect

5. (U) One of the causes for the employment upturn in 2003 was 2002's labor reform that reduced the cost of layoffs, inserted flexibility into the scheduling of the workweek, lengthened the number of hours covered under daytime wage regimes and reduced Sunday labor rates. DANE estimates that labor costs overall dropped 5.7 percent as a result of the reform, while labor costs in the textile and chemical sectors were reduced by 15 percent and leather industry labor costs dropped by nearly a third. Both these sectors grew in 2003 as a result of ATPADEA. This reform was originally expected to generate 300,000 new jobs, but the data now suggests upwards of 600,000 new jobs resulted.

6. (U) The minimum wage process has also had an effect on employment levels. As of December 2003, the minimum wage is USD 126 per month, and it has not changed in real terms since 1990. While businessmen argue that the wage is high by regional standards, wages in export industries, such as textiles, mining and light manufactures are significantly higher. The real impact of the minimum wage is in the services sector, where more workers are pushed into informality as the minimum wage increases. The minimum wage is insufficient to meet the basic needs of urban workers, however, as reflected by a January 5 *Semana* poll indicating

that only 16 percent of workers felt they could run their household on 1.5 times the minimum wage (US\$184).

17. (U) The employment and job creation numbers are positive and reflect the success of labor reforms as well as ATPADEA-led export growth. The GOC recognizes, however, that much more needs to be done and is focusing resources on export sectors since these sectors generally offer higher-paying jobs. The GOC is also looking to tighten its controls of the informal sector.

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